

THE *Dan Smoot Report*



DAN SMOOT

Vol. 4, No. 13

Monday, March 31, 1958

Dallas, Texas

Something Constructive

I recently received a postal card from a woman in Grants Pass, Oregon, saying:

"I am writing in regard to your TV programs. Seems all we hear is knocking our government and those who work in it, and wondered if you couldn't come up with something constructive sometime.

"Our President has asked people to give their ideas for betterment and wondered if you had sent in any ideas, as all we hear is censoring the government. Just whose side are you on? I haven't been able to make out."

I often receive letters in that vein. Most of them are friendlier in tone; but they contain, essentially, the same complaint: Why don't you suggest a *constructive* alternative to the conditions and programs you criticize?

A review of everything I have written and broadcast in the past few years reveals that I usually do suggest an alternative, but my suggestions *are* frequently negative.

Our government's foreign aid programs are building socialism and communism throughout the world while they are destroying the free economy of America. The only alternative I can think of is that we *stop* doing it.

The federal government's programs for giving aid to states and communities and businesses and organizations and individuals are destroying our federal system, strangling freedom and incentive with bureaucratic controls, and building our federal government into a mammoth centralized autocracy quite beyond the understanding or control of Congress and the people. The alternative is to stop it.

Unions have become frightful aggregations of economic and political power which can be used—and frequently is used—to oppress working people and cause great harm and suffering to the public, for the sole purpose of satisfying the greed and ambition of union bosses. The alternative is to remove the government favoritism which enabled unions to acquire such power and to make unions subject to the same laws which control others.

Reviewing my own work, I find that my suggestions are frequently in the vein of *tearing down* rather than of *building up*. But what's wrong with tearing down, when the thing

THE DAN SMOOT REPORT, a magazine edited and published weekly by Dan Smoot, mailing address P. O. Box 1305, Dallas, Texas, Telephone TAYlor 4-8683 (Office Address 6441 Gaston Avenue). Subscription rates: \$10.00 a year, \$6.00 for 6 months, \$3.00 for 3 months, \$18.00 for two years. For first class mail \$12.00 a year; by airmail (including APO and FPO) \$14.00 a year. Reprints of specific issues: 1 copy for 25¢; 6 for \$1.00; 50 for \$5.50; 100 for \$10.00 — each price for bulk mailing to one person.

Copyright by Dan Smoot, 1958. Second class mail privileges authorized at Dallas, Texas

you would tear down stands as an obstacle and hindrance to something good?

Down the street from my office in Dallas is a fine piece of real estate, a lot that could support a thriving business. But for a dozen years, the lot has been a neighborhood eyesore because it is encumbered with an ancient two-story brick house that is good for nothing.

To me, it seems obvious that a first and essential step toward improvement would be to tear that old house down.

Builders have told me that getting rid of the old house is a bigger job than putting up something else in its place. The fact remains, however, that no one will ever do any constructive work on that lot until the old house is torn down.

There is an important analogy here.

Our federal government has grown to such size and complexity that no human intellect can understand it.

Congress has only the dimmest notion of what happens to the astronomical sums of tax money which it appropriates for federal agencies to spend.

The federal agencies themselves don't know what happens to the money. Official investigations have proven this point time and again.

One agency of government will be found with heavy surpluses of a certain commodity or product, which it is trying to get rid of by selling at great loss, while another agency of government, considering the item in short supply, is paying premium prices to have it made.

An army warrant officer buries over thirty-three thousand dollars worth of spare parts

used by the army, because he didn't know what else to do with them.

Army procurement headquarters at Heidelberg, Germany, bought an 84 years' supply of linseed oil and more than 100 tons of nails, for no apparent reason except to get rid of some money.

Official records are full of such stories. The usual public reaction when the stories are publicized is that we should fire all the stupid or corrupt people who are responsible, and replace them with good intelligent people.

That would not remedy much. The stories about government waste do not prove that government service is full of stupid or corrupt people. They prove that government has taken on such a multitude and magnitude of harmful activities that no amount of cleaning up could ever eliminate the mess.

Consider the Hoover Commission studies. The two Hoover commissions, staffed with some of the most capable people in the country, did a monumental job of studying the operations of the federal government. They made many recommendations which would save tax money if Congress would adopt them. The Hoover Commission proposals which Congress has adopted have helped. Some of the major Hoover Commission proposals which Congress is still arguing about would help a great deal more if Congress would adopt them.

But if all the Hoover Commission proposals were adopted, we would still have a federal government engaging in a multitude of activities not authorized by the Constitution. We would still have a federal government quite beyond the control or understanding of the people and of Congress.

The Hoover Commissions' studies were aimed primarily at streamlining the federal establishment and making it efficient. That is a commendable but impossible objective.

We can never restore American constitutional government until we limit our federal government to the legitimate role which, according to the Constitution, it is supposed to have.

That role is negative, not positive.

When the individual states adopted the Constitution creating our federal government, they did not intend to create a central government which would be a positive, constructive force in our society. They created one which was to be a negative, restraining force.

The legitimate role of our federal government is not to *do things* for the people, but to restrain them from harming or defrauding each other so that they will have the freedom to do things for themselves.

The American Bill of Rights, the first ten Amendments to our Constitution, is not a positive grant of power to government to do things for the people. Our Bill of Rights is not an affirmative or constructive order for government to give the people certain rights, or to do anything else for them. Our Bill of Rights consists of stern, negative statements, telling government what it must not do.

"Congress shall make *no law* respecting an establishment of religion . . ."

"... the right of the people to keep and bear arms *shall not* be infringed."

"The right of the people . . . *shall not* be violated. . . ."

That is the spirit of the Constitution of the United States; and it is the essence of the old American philosophy of freedom: government should have a limited, negative role in our society, doing the bare minimum necessary to keep people from harming each other—leaving people a maximum of individual freedom to look after themselves and to work out their own destinies, under God, unhindered by governmental meddling.

Inasmuch as that American philosophy of freedom enabled Americans to convert America—a backward, underdeveloped, primitive land—into the most prosperous and powerful civilized society in history, I have great confidence in it.

I think that most of our economic and political—and social—problems resulted from our abandoning the old American philosophy of freedom. Consequently, I feel that the way to cure most of these major material ills in our society is to return to the proven American constitutional system.

I get an occasional letter accusing me of arrogance, saying that since I criticize practically everything our top leaders do, I must therefore think I am smarter than all of them put together—saying that I must arrogantly believe that I could manage well where most of the great men of our time have mismanaged.

My criticism of the programs of government grows out of humility rather than arrogance. I'm not even satisfied with the way I manage my personal affairs. I know full well that I would make a miserable mess of things if I tried to manage the affairs of 170 million other Americans.

So will anyone else. The President of the United States, the leaders in his administra-

tion, and the leaders in Congress are all, no doubt, more intelligent than I am; but they are not superhuman.

They have, however, assumed for themselves a superhuman task: the task of managing the lives of 170 million Americans.

No one person, or group of persons, can undertake such a job without making a mess of it.

We will never clean up the mess they have made until—realizing that all humans, regardless of how intelligent, have human limitations—we compel the human beings in Washington to stop playing God: compel them to get their bureaucrats off our backs and their tax collectors' hands out of our pockets so that each one of us can manage his own affairs to the best of his ability.

The people who will most loudly say that this is a crazy, preposterous suggestion are the very people who are most loudly making a somewhat similar suggestion right now.

For many years, American conservatives have been urging that the people be relieved from the crushing burden of taxation so that they can keep enough of their own money to build and buy and create sound prosperity.

Liberals have scorned this, saying that heavy taxation enabled government to pump great sums of money into the economy and thus stimulate it. This presumes that bureaucrats and politicians know better how to spend a taxpayer's money than the taxpayer himself.

But what are liberals saying now, when the nation appears to be sliding into a recession that no one quite knows what to do about?

From Walter Reuther to the Committee for Economic Development, they are urging fed-

eral tax reduction so that the people can keep enough of their own money to do the buying and building necessary to stimulate our economy!

Left-wingers now clamoring for tax-reduction want, of course, to *increase* governmental spending while *decreasing* taxes. That means increasing the federal debt and further inflating the dollar.

That takes us into the lowest depth of immorality—because it means stealing from our children and our grandchildren.

If we cannot pay for the contemporary spending of the federal government—which, presumably, is for our contemporary benefit—how can we, in decency and good sense, charge that spending against the future so that our children and grandchildren will have to pay for it?

I believe we should have immediate, drastic tax reduction so that the people who earn money can keep enough of it to spend for their own benefit; but I believe that we should have an immediate and even more drastic reduction in federal spending—so that the federal government can pay its current bills and also make substantial payments on the mountainous national debt, which we have already piled up as a mighty millstone to be hung around the necks of future generations.

If Congress wants to give some real, lasting, wholesome stimulation to a free American economy, Congress should submit to the states, for ratification as a constitutional amendment, the proposal which Congressman Ralph Gwinn made last year in House Joint Resolution 355.

This proposed amendment would repeal the income tax amendment and would compel the

federal government to stop all unconstitutional spending of the taxpayers' money.

Statistical proof that this Gwinn amendment is not only desirable but possible was ably set out by Willis E. Stone in testimony before the House Ways and Means Committee on February 7, 1958.

Stone's testimony is reprinted below.

* * * * *

H. J. R. 355

On February 18, 1958, Congressman Ralph Gwinn (Republican, New York) put into the *Congresional Record* testimony which Willis E. Stone had made before the Ways and Means Committee in support of H.J.R. 355—a proposed constitutional amendment to repeal the income tax and compel the federal government to get out of all unconstitutional activity.

In putting the Stone testimony into the Record, Congressman Gwinn said:

"Mr. Speaker, last session I introduced a proposed amendment to the Constitution—House Joint Resolution 355—designed to get the Federal Government out of business in competition with its citizens. It provides that the United States Government shall not engage in any business, professional, commercial, financial, or industrial enterprise except as specified in the Constitution.

"If this language were adopted as an amendment to the Constitution, the savings from it would, it is claimed, make possible the repeal of the individual income tax. The claim may seem fantastic. But I can find no one in Government who can dispute it. Congress certainly cannot dispute it.

"The details as to where these savings could be made are spelled out in the following testimony by Mr. Willis E. Stone before the Ways and Means Committee on February 7, 1958."

* * * * *

The Stone Testimony

Here are extensive excerpts from the Willis E. Stone testimony, as inserted in the *Congresional Record* on February, 18, 1958:

I am Willis E. Stone, president of the American Progress Foundation and a director of the Organization To Repeal Federal Income Taxes, 725 North Western Avenue, Los Angeles.

An industrial engineer, I have long been concerned with the apparent fact that taxes have been too low. This is evident because taxes have the valid function of paying the costs of government; but taxes have failed to achieve this purpose by an average \$12 billion per year during these past 20 years, thus putting \$240 billion on our national debt.

You gentlemen are caught in a dilemma. Demands for tax cuts are the most insistent in many years, and at the same time you are confronted with the most dramatic demand in history for more tax revenue. This accentuates the fact that spenders can spend more and faster than Congress can provide taxes.

While it is apparent that taxes are too low, there is an alternate equation—that the cost of government is too high. Many years ago I began to investigate this, with some rather startling results.

In seeking the most promising area for cost reduction, I was amazed at the quantity of Federal corporate activities which exist without any pretense of constitutional authority, and the enormous volume of tax dollars they absorb each year.

Under the label of "foreign aid," the American taxpayers, who have never known military defeat, have been compelled by our politicians to pay more treasures into the coffers of foreign powers than all the vanquished people in history have been required to pay to their conquerors.

On the domestic scene, more than 700 Federal corporate enterprises have been established. They absorb about half of our tax dollars and have already taken over 40 percent of the land area and 20 percent of the industrial capacity of the Nation, riding the backs of the American people as interest free, rent free, cost free and tax free princes of privilege, competing with every American, be he producer or consumer.

To get some idea of the gigantic scale of the conquest of State and private lands already achieved by the Federal Government empire builders, we can turn to the United States Government Organization Manual and find out what the agencies say for themselves.

On page 238 of the manual for 1955-56, the Forest Service (which is in the Agricultural Department) declares that it "administers about 188,000,000 acres." This is an area equal to 8.1 percent of all the land and water area of the United States and all its Territories and possessions.

On page 203 of the Manual for 1955-56, the Interior Department asserts it has "custody of 750 million acres of land." This is an area equal to 32.3 percent of the total land and water area of the United States and all its Territories and possessions.

Thus the land taken over by these two Federal agencies alone equals the combined area of England, Scotland, Wales, Portugal, Spain, France, Belgium, Holland, Luxembourg, Switzerland, Germany, Iceland, Denmark, Poland, Austria, Czechoslovakia, Hungary, Italy, Monaco, Albania, Greece, Yugoslavia, Rumania, and Bulgaria.

To rid ourselves of the Federal corporate activities, an amendment to the Constitution has been designed to repair the damage done. It is a proposal which has been introduced into Congress by Representative Ralph W. Gwinn, Republican, of New York. It has been approved by the State of Illinois. More than 6,000 organizations have adopted resolutions of support for it. This proposed 23d amendment is pending in Congress as House Joint Resolution 123 and, with added provisions, is also pending as House Joint Resolution 355.

Section 1 of both resolutions provides:

"The Government of the United States shall not engage in any business, professional, commercial, financial or industrial enterprise except as specified in the Constitution."

This amendment would stop the political gift of our tax dollars to foreign socialistic and communistic governments, leaving individuals to do this on a voluntary basis if they wish. By stopping this foreign aid, a tremendous saving to taxpayers would be possible. In 1954 alone the foreign grants and credits amounted to \$4,669,000,000.

This amendment would cause the Federal corporate activities to be sold back to the American people. It is estimated that land, buildings and facilities, even under forced sale, would bring better than \$50 billion, all of which should be applied to the national debt, particularly as series E and F Bonds would probably be employed to buy those properties. Retiring \$50 billion of the national debt in this way would reduce the taxes required to pay interest on it by \$1,250,000,000 per year.

Also, the cost of amortizing that volume of the national debt would no longer exist and this amortization cost, on a 40-year amortizing basis, would save the taxpayers \$1,250,000,000 per year.

The average annual losses of the Federal corporate activities during recent years has exceeded \$10 billion per year. The sale of the Federal corporations would eliminate these losses by eliminating their source, thus saving the taxpayers this amount of taxes every year.

Another important item is the fact that an estimated 1 million Federal employees apparently do nothing in

their official life except provide services without cost to the Federal corporations. They are paid by the central fund, therefore their pay comes directly from taxes. With the Federal corporate activities sold back to private American enterprise, these employees would be more gainfully employed in such private enterprise. One million pay envelopes containing \$4,000 per year average will not have to be filled with our tax dollars, thus saving the taxpayers \$4 billion per year.

There is one more item. It is estimated that at least \$3 worth of goods, services, and facilities are required to maintain every dollar of payroll. On this basis, the saving of \$4 billion in payroll will mean a related savings of \$12 billion in goods, services and facilities.

Now let's add up these savings possible by enacting the proposed 23d amendment:

	<i>Million</i>
The goods, services, and facilities that can be saved	\$12,000
The payroll that can be saved each year	4,000
The losses that will no longer require tax support ..	10,000
The interest saved	1,250
The amortization charge saved	1,250
Annual total	\$28,500
Plus the savings resulting from stopping foreign aid	4,669
Means a total annual saving to taxpayers of	\$33,169
Compared with the total of individual income taxes collected	\$32,495

This indicates the Federal Government would have a surplus of 674 million dollars, by repealing the individual income taxes (1954 level) at the same time the Federal corporate activities are sold back to the American people from whom they were taken.

This is one solution to the tax problem. It would not only solve the problems of this committee, it would solve a great many problems of labor and capital, consumers and producers and certainly the problem of the taxpayers.

There is nothing extraordinary about any of this, for it contemplates only a return to the basic concept which we all regard as truly American. These results can be achieved on the very day we focus our concern about taxes on the task of restoring the private enterprise concept. On that very day we will also find that a veritable flood of new tax revenues will begin to flow into the Federal treasury which will enable the Government steadily to retire the national debt and cut taxes in other areas.

The day we restore private enterprise by removing political competition, every person in the Nation will have

more money to spend. Withholding taxes will stop, and each one of us knows exactly what that will mean to each of us personally. This will not depend on any change in the rate of pay. It only depends on getting the Government back within constitutional limitations, getting bureaucrats out of competition with our business.

This means that every one of us will have an average of 15 to 20 percent more money to spend simply because we will have this amount of earnings restored to us. This will be spendable money—in exactly the amount we reported on our tax form 1040.

This better-than-15-percent new take-home pay will be spent for things, or services, or savings. There will be better than a 15-percent increase in business volume in our present business community, and this added business will bear the same tax burden as present business volume. Thus, the Federal Government will receive 15 percent more from this source than it has in recent years. At the 1954 level, this would mean an increase of \$3,231,900,000 each year from this source.

Similarly, the sale of the Federal corporate activities would put about 20 percent more industrial and business capacity back on the tax rolls to share the burden, and this, at 1954 levels, would mean that this new source of revenue would yield to the Federal Treasury \$4,309,200,000 per year.

The foregoing surplus we cited amounts to .. \$ 674,000,000

The 15 percent increase in business volume will yield 3,231,900,000

The 20 percent increase because of the new taxpayers 4,309,200,000

Means the surplus and new tax sources can yield a total based on the 1954 experience 8,215,100,000

In 1954 the Federal Government operated at a deficit of 3,116,000,000

We can take care of that deficit and still leave the Government 5,098,487,000

This is enough to permit the abolition of gift and estate taxes 935,000,000

And still leave the Government, based on the 1954 experience \$4,163,487,000

That can be used every year to apply on the national debt, retiring it completely on this scale in much less than 50 years at the maximum.

Then there is the item of collecting the individual income taxes. This amounts to about \$200 million every year, and that amount we would no longer be required to spend, so that could be applied to the national debt.

There is the item of postage, which amounts to an estimated \$40 million per year just to handle the flood of parcels, booklets, and letters relating to collecting the individual taxes which could be saved.

There is the item of printing the tax forms and all the auxiliary items that relate to collecting individual income taxes. This amounts to about \$100 million every year.

There is, in those three items, another \$340 million to help pay off the debt, stepping up the rate by which we can get back to solvency as a Nation. All this can be achieved by the enactment of House Joint Resolution 123 or House Joint Resolution 355 as now pending in Congress.

Instead of groaning under an inhuman load of individual income taxes, we could abolish and repeal the individual income tax laws.

Instead of operating the Federal Government at an annual average deficit of \$12 billion a year, as we have been doing the last 20 years, we can pay off the national debt at the rate of nearly \$5 billion a year while operating on a balanced budget.

Instead of the violent conflict between Government and people regarding which shall own and operate the enterprises created by the people, we will have a government devoted to protecting our lives and properties.

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side—the side that uses fundamental American principles as a yardstick for measuring all important issues. Smoot now has no support from, or connections with, any other person or organization. His program is financed entirely from sales of his weekly publication, *The Dan Smoot Report*.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report*.

Instead of Government being the greatest pauper in history, it will be returned to a solvent position and will have the affection of the American people returned to it, and the affection of the citizens is the greatest asset any government can possibly possess.

Think of the time, the worry and the money each one of us have been spending to conform to the tax requirements. All this would be saved. So would the time, money, and energy we spend in protective lobbying, special book-keeping, reporting, accountants' fees, and any number of other costly impositions which now involve us. Then there is the savings that will result because it will no longer be necessary to ferret out, prosecute, and incarcerate those who fail, for any reason, to conform to the more than 400,000 words now in the individual income tax laws.

Every person in the land can think of an infinite variety of other benefits that will come to every one of us on the day we take the Federal agencies out of competition with our individual business enterprise, thus stopping the waste of our tax dollars, letting us use our own earnings in our own way and at our own pleasure by applying the savings in governmental costs to the individual income tax problem.

The analysis presented here deals only with the dollars-and-cents elements of the Federal competition with private enterprise and the individual income-tax laws. It does not take into consideration the advantages to every business when the threat of cost-free, rent-free, tax-free, cut-throat competition is removed.

Neither does it take into consideration the wide variety of benefits to come from a people whose genius is not restrained by political straightjackets of competition or the blight of impossible tax burdens.

When the Federal corporate activities are sold back to the American people, tremendous amounts of property will go back on the local, county and State tax rolls. In some areas this will be an item of enormous importance.

In California, for example, Federal agencies own 48 percent of the land area of the State. Selling back the prop-

erty held without constitutional authority would put about 40 percent more property on the tax rolls to share the burden with the present taxpayers. This will reduce the amount of taxes to be paid by each taxpayer tremendously.

In each State, and in each city, and to each person, the situation differs. But in every instance, without exception, the transfer of these vast empires back to the American people, to be restored to the constitutional protection which the founding fathers originally intended for our individual enterprise system, means an infinite variety of benefactions beyond the power of human imagination—just as the Constitution itself held advantages for us far beyond the dream of even those who gave it life.

It adds up to the simple equation that when we stop political competition with private enterprise, the tax problem will very largely be solved.

We will at the same time restore the sovereignty of the States, just as the Constitution intended.

It will restore international justice, confidence, honor, and integrity.

It will reestablish the American theme of "equal justice under law," with government back at its right job of governing and regulating, protecting our lives and property.

It will constitute a great rebirth of liberty, making us free in fact when we are brave enough to face the issue and do the job, giving substance to the phrase, the land of the free and the home of the brave.

It will solve the most difficult of all our internal problems—the strife between management and labor—by restoring to labor the fruit of its toil, putting a greater net increase in the pay envelope of Americans than any politician or any labor leader ever dared to think about.

It staggers the imagination that so many great benefactions, to Government and people, can arise out of the simple element of restored economic justice and balance. Gentlemen, I recommend your careful consideration and searching investigation into these possibilities.

If you do not keep a permanent file of *The Dan Smoot Report*, please mail this copy to a friend who is interested in sound government.

DAN SMOOT,
P. O. Box 1305
Dallas, Texas

Please enter my subscription for (_____ years) (_____ months) to THE DAN SMOOT REPORT. I enclose \$_____ ; please bill me for_____.

Rates: \$10 for 1 year
\$ 6 for six months
\$ 3 for three months
\$12 first class mail
\$14 for air mail
\$18 for 2 years

PRINT NAME

STREET ADDRESS

CITY AND STATE

at
e
e
y.
e
a,
n
h
al
is
i-
n

p
-

e

c,

e

s

d

e

n

n

to

m

in

th

b

n

d

[]